

Message Text

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ACTION AGR-20

INFO OCT-01 EA-11 ISO-00 EB-11 STR-08 FEA-02 INT-08 OMB-01

TRSE-00 CIEP-02 COME-00 CIAE-00 INR-10 NSAE-00 RSC-01

AID-20 IGA-02 SCI-06 DRC-01 /104 W

----- 015186

R 130800Z FEB 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 818

UNCLAS JAKARTA 1918

FOR AGRICULTURE FROM AGATTACHE

E.O. 11652: N/A

TAGS: EAGR

SUBJ: EFFECT OF SITUATION ON AGRICULTURAL PRODUCTION
AND TRADE

REF: STATE 005278

THE FOLLOWING DETAILED FERTILIZER INFORMATION DEVELOPED IN
COOPERATION WITH PAUL STANGEL, USAID/TVA ADVISOR FOR CY 1971
THROUGH CY 1974, IS PROVIDED PER REFTEL REQUEST.

1. FERTILIZER SUPPLY/DEMAND SITUATION IN INDONESIA

1971 1972

N P2O5 K2O N P2O5 K2O

- - - -OOO MT NUTRIENT BASIS - - - -

ESTIMATED FERTILIZER

PRODUCTION CAPACITY 45.0 O O 105.0 O O
(OFFICIALLY RATED)

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1971 1972

N	P2O5	K2O	N	P2O5	K2O

--- -OOO MT NUTRIENT BASIS - - - -					

SUPPLY & DISTRIBUTION

PRODUCTION	48.2	O	O	60.0	O	O
IMPORTS	211.8	11.5	7.2	289.3	93.3	35.8
EXPORTS	O SU	O	O	O	O	O
CONSUMPTION	257.6	32.8	19.4	305.1	52.8	30.4
STOCKS	78.8	16.1	2.7	122.9	56.7	8.0
PERCENT OF FOLLOWING						
YEAR'S SALES IN						
ENDING INVENTORY	26	31	9	36	95	23

1973	1974
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N	P2O5	K2O	N	P2O5	K2O

--- -OOO MT NUTRIENT BASIS - - - -					

ESTIMATED FERTILIZER

PRODUCTION CAPACITY						
(OFFICIALLY RATED)	105.0	O	O	105.0	O	O

SUPPLY & DISTRIBUTION

PRODUCTION	68.0	O	O	115.0	O	O
IMPORTS	255.5	58.2	35.8	339.0	128.5	40.3
EXPORTS	O	O	O	O	O	O
CONSUMPTION	344.2	59.7	34.8	383.2	66.2	40.3
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STOCKS	102.2	55.2	9.0	173.0	117.5	9.0
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PERCENT OF FOLLOWING

YEAR'S SALES IN

ENDING INVENTORY	27	81	22	41	112	20
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THE 1971-72 DATE ARE CONSIDERED OFFICIAL GOI FIGURES
 REPORTED BY THE DEPARTMENT OF TRADE. 1973 DATA HAVE BEEN

CALCULATED FROM PRELIMINARY FIGURES REPORTED BY THE DEPARTMENT OF AGRICULTURE, DEPARTMENT OF TRADE AND THE DEPARTMENT OF INDUSTRY. 1974 ESTIMATED DATA REPRESENTS A COMPOSITE OF FORECASTS OF CONSUMPTION AND PRODUCTION, ASSUMING PUSRI II STARTS AS SCHEDULED, AND IMPORTS NOW SCHEDULED THROUGH SEPTEMBER 1974 ARE ACTUALLY DELIVERED.

ALTHOUGH THE OVERALL PICTURE SUGGESTS NO FERTILIZER SHORTAGE EXISTS AT THE FARMER LEVEL, THIS MAY NOT NECESSARILY BE TRUE SINCE 1) ALMOST NO OTHER FERTILIZER IS AVAILABLE TO THE FOOD SECTOR OTHER THAN UREA AND TSP AND 2) BY GOVERNMENT ORDER, FARMERS MAY USE UREA, TSP, AND DAP ONLY ON RICE AND CORN. FURTHERMORE, THE SALE OF THESE PRODUCTS HAS BEEN RESTRICTED ALMOST EXCLUSIVELY FOR THE BIMAS PROGRAM. THEREFORE, LEGALLY, ONLY THOSE FARMERS WHO GROW RICE AND/OR CORN AND WHO ARE ENROLLED IN THE BIMAS PROGRAM ARE ELIGIBLE TO RECEIVE UREA, TSP, AND/OR DAP. THIS BY NO MEANS COVERS ALL THE FARMERS ENGAGED IN RICE AND CORN PRODUCTION, TO SAY NOTHING OF OTHER FOOD CROPS.

THE ABOVE GOVERNMENT POLICY HAS BEEN IN EFFECT FOR FOUR MONTHS. FERTILIZER SALES FOR RICE AND CORN ARE RUNNING BELOW TARGET, AND MAY ONLY EQUAL LAST YEAR'S LEVELS. THEREFORE OUR 1974 FORECASTS FOR CONSUMPTION MAY BE TOO OPTIMISTIC. HOWEVER, THIS DOES NOT CHANGE OUR OVERALL CONCLUSION THAT THE GOI, IF IMPORTS GO AS SCHEDULED, WILL PROBABLY HAVE ENOUGH FERTILIZER TO MEET ACTUAL DEMAND THROUGH 1974. THE NITROGEN SITUATION COULD PROVIDE SOME CONCERN. SHOULD JAPAN FAIL TO DELIVER UREA AT A LEVEL EQUAL TO THAT PROVIDED DURING 1973, PUSRI II FAIL TO START UP AS SCHEDULED, AND UREA DELIVERIES SCHEDULED FROM POLAND AND USSR FAIL TO MATERIALIZE, SOME UREA SHORTAGES COULD DEVELOP DURING THE LAST HALF OF 1974. AT PRESENT, WE HAVE NO REASON TO ASSUME THAT THIS WILL HAPPEN. WE BELIEVE JAPAN WILL MAINTAIN UREA SUPPLIES TO INDONESIA, AT LEAST NEAR THE 1973 LEVEL. PUSRI UNCLASSIFIED

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II CONSTRUCTION IS ON SCHEDULE AND SHOULD START UP IN AUGUST OF THIS YEAR.

PHOSPHATE SUPPLIES ARE ADEQUATE AND, UNDER NORMAL CONDITIONS WORLDWIDE, WOULD BE CONSIDERED AT SURPLUS LEVELS HERE IN INDONESIA. WE HAVE CAUTIONED THE GOI ABOUT THIS AND HAVE SUGGESTED THEY SHOP CAREFULLY BEFORE MAKING FURTHER PURCHASES.

2. FERTILIZER PRICE SITUATION IN INDONESIA

IS1971 1972 1973 1974

-----RPS/KG-----

UREA

OFFICIAL 26.60 26.60 26.60 40.00

FREE MARKET 29.00 31.00 33.00 75.00

TRIPLE SUPER PHOSPHATE

OFFICIAL 26.60 26.60 26.60 40.00

FREE MARKET 30.00 35.00/ 35.00 45.00/
45.00 48.00

AMMONIUM SULFATE

FREE MARKET ONLY 24.00/ 25.00/ 35.00 40.00/
27.00 29.00 60.00

IT MUST BE NOTED THAT THE GOI CHANGED THE OFFICIAL PRICE OF
UREA AND TSP FROM 26.60 TO 40.00 RPS/KG, AS OF OCTOBER 1,
1973.

3. NO SIGNIFICANT CHANGES IN EXPORT AND IMPORT REQUIREMENTS
OF MAJOR AGRICULTURAL PRODUCTS OVER CURRENT YEAR ARE EXPECTED
DUE TO EFFECTS OF ENERGY CRISIS. PRODUCTION SHOULD INCREASE
SLIGHTLY GIVEN FAVORABLE WEATHER CONDITIONS, ADEQUATE
FERTILIZER AS CONCLUDED ABOVE AND PROPER INCENTIVE IMPUTS.

4. BEST ESTIMATES OF GNP ARE 12, 16, 20 BILLION DOLLARS FOR
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THE YEARS 1972, 1973 AND 1974 RESPECTIVELY. THESE ARE
PROJECTED BASED ON WORLD BANK ESTIMATES OF SEVEN AND ONE-
HALF PERCENT REAL GROWTH PLUS EMBASSY ESTIMATES OF INFLATION
RATES.
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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, ENERGY, TRADE, SUPPLIES, IMPORTS, ECONOMIC REPORTS, FERTILIZERS, AGRICULTURAL WORKERS, UREA
Control Number: n/a
Copy: SINGLE
Draft Date: 13 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JAKARTA01918
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740236/aaaabhup.tel
Line Count: 206
Locator: TEXT ON-LINE
Office: ACTION AGR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: STATE 005278
Review Action: RELEASED, APPROVED
Review Authority: martinml
Review Comment: n/a
Review Content Flags:
Review Date: 25 FEB 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 FEB 2002 by elbezefj>; APPROVED <27 NOV 2002 by martinml>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EFFECT OF SITUATION ON AGRICULTURAL PRODUCTION AND TRADE
TAGS: EAGR, XX, ID
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005